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SUBJECT: CHILEAN: ENERGY HIGHLIGHTS FOR NOVEMBER-DECEMBER
2008

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11. Summary: This cable provides updates on developments in the Chilean energy sector. Energy Minister Tokman announced the national energy crisis has ended. A hydroelectric project planned for the Patagonia region has stopped operations while HydroAysen, the energy company overseeing the project, addresses inquiries on the environmental impact on the region. Opponents of the project filed a lawsuit against HydroAysen and the Region's Governor. The National Energy Commission (CNE) awarded contracts on November to three companies to conduct separate studies on the possibility of producing domestic nuclear energy in the country. CNE announced a reduction in energy prices of up to five percent for the next four years. Paraguay will sell electricity to Chile via Argentina. Three new wind energy parks are expected to contribute 38.24 megawatts (MW) to the south of Chile while environmentalists worry over possible negative effects on the landscape of the region. END SUMMARY. Energy Shortage Ends

12. Energy Minister Tokman publicly declared on November 4 that Chile's national energy crisis was officially over. He attributed the change to measures designed to reduce energy use adopted by the GOC and to effective public education campaigns. Tokman indicated high levels of precipitation facilitated the generation of hydroelectric power generation of levels sufficient to meet current national needs. It is still uncertain if Chile will meet the additional 12,000 MW required over the next 10 years to meet energy needs in the long-term. (NOTE: On average, 1 MW of energy can generate power for 1,000 households.)
More Obstacles for Hydroelectric Generation

13. The Chilean Regional Environmental Commission (COREMA) reviewed an 11,000-page Environmental Impact Study (EIS) on a proposed Patagonia dam project that generated a total of 3,150 public inquiries. The goal of the project is to build five major dams in the south of Chile which would produce approximately 2,750 MW of electricity and cost an estimated \$3.2 billion. HydroAysen is the company overseeing the project and constructing the dams. The inquiries raised concerns about the environmental impact of the dams on the region. Construction of the five plants and supporting operations will be halted for approximately nine months while HydroAysen addresses these concerns.

14. The Patagonia Defense Council filed a civil suit on November 21 against HydroAysen for illegally initiating the construction of the hydroelectric plants. The governor of Chile's XI region, Selim Carrasco, is also accused of ignoring recommendations made by government entities like COREMA on the accuracy of the EIS.
Nuclear Energy Feasibility Studies Announced

15. Chile's recent energy shortages spurred the GOC to

consider alternatives and explore the full range of energy sources, including renewable and nuclear energy (reftel). CNE awarded contracts November 27th to three different firms, Amec-Cade (Chilean-British), Stuk (Finnish), and Technopark-Intermash (Chilean-Russian). Each firm will issue a report on one of the following topics: the implications of producing nuclear energy, defining the plant best suited for Chile and designing the regulatory framework necessary for nuclear energy technology. The studies are not likely to be completed before the end of 2009 making it unlikely the Bachelet Administration will reach a final decision. This could create an issue for the presidential campaign (elections are slated for the end of 2009).

Electricity Prices Expected to Drop

¶6. CNE declared on November 27 electricity prices will decrease in the coming months by up to five percent. The price reduction results from a review of the Value Added Distribution (VAD) tax. The tax is calculated based on the additional value of a given product over the cost of the commodities used to generate that product. The new electricity prices will post retroactively from November and extend into 2012.

Paraguay Sells Power to Chile

¶7. After four months of discussions Argentina, Paraguay, and Chile reached an agreement on December 17 to sell electricity to Chile. Paraguay will route 200MW of energy to the north of Chile through Argentina. This will account for over 10 percent of the existing energy needs in that region. The GOP is expecting to earn between \$70 to \$80 million from the

transaction. Argentina is also expecting monetary compensation from its involvement although exact amounts are still being negotiated. Energy Ministers from all three nations will continue to collaborate to finalize the terms of agreement.

Mixed Feelings over New Wind Energy Parks

¶8. Three wind energy farms capable of producing a total of 38.24 MW are planned for Chile's VIII Region. One of the energy parks will include ten turbines and will be located inside Pedro del Rio Zañartu national park. Environmentalists are concerned about the possible impact on the original landscape of the area since the park is mostly wetland and a natural sanctuary. Zañartu park administrator Martin Dominguez doubts the project will take off despite approval from the National Commission for the Environment (CONAMA).

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